

Message Text

SECRET

PAGE 01 STATE 107381 TOSEC 040175
ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY EB/ORF/FSE:DFHART:MW
APPROVED BY EB:JLKATZ
EB/ORF/FSE:LRRAICHT
A:MSTERNER
S/S:GOLDSMITH
P: MR.FORBES(INFORMED)
-----112009Z 025912 /73
O 111947Z MAY 77 ZFF4
FM SECSTATE WASHDC
TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 107381 TOSEC 040175

NODIS
FOR THE SECRETARY FROM KATZ

E.O. 11652: GDS

TAGS: ENRG

SUBJECT:OIL PURCHASE FOR STRATEGIC PETROLEUM RESERVE (SPR)

1. IN YOUR MEETING WITH THE SHAH, HE MAY ASK YOU ABOUT
USG INTEREST IN IRANIAN OIL FOR THE SPR. IN THE PAST
TWO YEARS, THERE WERE VARIOUS DISCUSSIONS WITH THE
IRANIANS ABOUT A GOVERNMENT-TO-GOVERNMENT OIL DEAL WHICH
DID NOT PROSPER. THE US HAS RECENTLY SOLICITED BIDS
PUBLICLY FOR COMMERCIAL SUPPLY OF AN INITIAL, RELATIVELY
SMALL QUANTITY OF OIL FOR THE SPR (10 MILLION BARRELS TO
BE DELIVERED AT 50 THOUSAND BARREL A DAY RATE).

2. AS YOU KNOW, CROWN PRINCE FAHD HAS EXPRESSED SAUDI
INTEREST IN SUPPLYING OIL FOR THE SPR. WE ARE WORKING
SECRET

SECRET

PAGE 02 STATE 107381 TOSEC 040175

WITH SCHLESINGER'S STAFF TO PREPARE FOR DISCUSSIONS WITH
FAHD. DEPENDING ON INTERNAL DECISIONS AND OUR DISCUSSIONS
WITH FAHD, WE MIGHT DECIDE TO OFFER THE IRANIAN GOVERNMENT
AND OTHER POTENTIAL SUPPLIER GOVERNMENTS AN EQUIVALENT
OPPORTUNITY. HOWEVER, WE DO NOT WANT TO SUGGEST SUCH
AN OPPORTUNITY UNTIL WE HAVE HAD A CHANCE TO DISCUSS THE
SAUDI OFFER WITH FAHD AND DECIDE HOW WE INTEND TO HANDLE

THIS ISSUE WITH OTHER OIL PRODUCING GOVERNMENTS.

3. IF THE SHAH RAISES THE SUBJECT OF USG PURCHASES FOR THE SPR, WE BELIEVE YOUR BASIC POSTURE SHOULD BE DESIGNED TO PUT OFF THE SHAH AND SUGGEST YOU RESPOND ALONG THE FOLLOWING LINES:

-- THE US THROUGH THE DEFENSE FUEL SUPPLY CENTER HAS INVITED COMMERCIAL BIDS FROM INTERESTED SUPPLIERS FOR THE INITIAL PURCHASE OF CRUDE FOR THE SPR. PRIVATE AND STATE OIL COMPANIES, INCLUDING THE NATIONAL IRANIAN OIL COMPANY (NIOC), ARE EQUALLY ELIGIBLE TO ENTER THE BIDDING PROCESS.

-- THE ADMINISTRATION HAS NOT MADE A FIRM DECISION TO PROCURE THE FULL SPR REQUIREMENT IN THE SAME MANNER. IN ADDITION, ALTHOUGH THE PRESIDENT HAS PROPOSED EXPANDING THE SPR FROM 500 MILLION TO ONE BILLION BARRELS, CONGRESS HAS NOT YET ACTED. THEREFORE, WE ARE NOT IN A POSITION TO DISCUSS OTHER ARRANGEMENTS AT THIS TIME. CHRISTOPHER

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SECTO, PROCUREMENT, CAT-A, PETROLEUM RESERVES, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Sent Date: 11-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE107381
Document Source: CORE
Document Unique ID: 00
Drafter: DFHART:MW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: P840072-1178, N770003-0304
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770568/aaaacgws.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 356a3096-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2558554
Secure: OPEN
Status: NATIVE
Subject: OIL PURCHASE FOR STRATEGIC PETROLEUM RESERVE (SPR)
TAGS: ENRG, BPRO, IR, US
To: SECRETARY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/356a3096-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009